MINUTES

BOARD OF TRUSTEES
PUBLIC EMPLOYEES' RETIREMENT FUND
143 West Market Street, Suite 602
Indianapolis, IN 46204

March 8, 1999

TRUSTEES PRESENT

Richard Doermer, Chair
Nancy Turner, Vice Chair
Dr. Teresa Ghilarducci
Steven Miller
Jonathan Birge

OTHERS PRESENT

Diana Hamilton, Special Liaison to the Governor for Public Finance
Mary Beth Braitman, Ice Miller Donadio & Ryan
Kris Ford, Wm. M. Mercer Investment Consulting
Bill Monroe, Wm. M Mercer Investment Consulting
Richard Boggs, Burnley Associates
Karen Norwood, Barclays Global Investors
Fernando Hernandez, Barclays Global Investors
Karen Franklin, National City Bank
Doug Todd, McCready & Keene
E. William Butler, PERF Executive Director
Mark Webb, PERF Deputy Director & General Counsel
Patrick Lane, PERF Executive Assistant
Bill Hutchinson, PERF Division Director, Pension Administration
David Yeater, PERF Controller
Linda Stahl, Recording Secretary

ITEMS MAILED TO THE BOARD PRIOR TO MEETING

A. Agenda of March 8 & 9, 1999 Meeting
B. Minutes of December 14 & 15, 1998 Meeting
C. Statements of Retired and Disabled Members - PERF, Judges' Retirement System, Conservation & Excise,and Police & Fire
D. Summaries, Memorandums and/or Letters Concerning:

- Indiana University
- State Contribution Rate
- Police & Fire Crediting Rate
- Quarterly Financial Statement
- Budget
- Year 2000 Update
- Harrison Building
- New Units & Enlargements

A quorum being present, Chair Doermer called the meeting to order.

1. MINUTES APPROVAL

MOTION duly made and carried to approve the Minutes of the December 14, 1998 meeting with the following changes:

Agenda Item 2 - "MINUTES APPROVAL"

MOTION duly made by Steve Miller, seconded by Teresa Ghilarducci and carried to delegate the monitoring of the portfolio managers' adherence to the investment guidelines to National City Bank. Jonathan Birge abstained from the vote.

MOTION duly made by Nancy Turner, seconded by Steve Miller and carried to recognize Lee Tanner for his work through the years for the Board of Trustees in overseeing the performance and compliance of the various money managers. Jonathan Birge abstained from the vote.

MOTION duly made by Steve Miller, seconded by Nancy Turner and carried to delegate to Mark Webb the authority to execute a contract with Prime Capital Management once the Investment Committee has met with them and agreed upon a contract. Jonathan Birge abstained from the vote.

Proposed by:	~~Jonathan Birge~~ Steve Miller
Seconded by:	Nancy Turner
Votes:	5 4 for, 0 against, ~~0 abstentions~~ 1 abstention (Birge)

Agenda Item #5 - "REPORT OF INVESTMENT COMMITTEE"

b. Rate of Return Smoothing for Annuity Savings Accounts, Paragraph 2

Chair Doermer inquired, "The matter of coordination of the savings account and the PERF fund — all those holes have now been filled so the returns will essentially be the same?" Mr. Miller responded maybe, but every time there are reallocations to the funds for whatever reasons, there may be a problem of getting money completely **in**vested.

Proposed by:	Steve Miller
Seconded by:	Jonathan Birge
Votes:	5 for, 0 against, 0 abstentions.

MOTION duly made and carried to amend the Minutes of the December 15, 1998 meeting with the following addition:

Agenda Item 1 - "ACTUARIAL VALUATION"

Final Paragraph

MOTION duly made and carried to approve the actuarial report and to set the State of Indiana employer contribution rate at 5.7%

Proposed by:	**Jonathan Birge**
Seconded by:	**Steve Miller**
Votes:	**5 for, 0 against, 0 abstentions**

2. BOARD DISCLOSURES

The following Trustees voiced their intent to abstain from any discussion/vote concerning matters of possible conflict of interest as follows:

Jonathan Birge	- Prime Capital Management (Law firm represents Prime)
Richard Doermer	- Banc One Corporation and it's affiliates (Stock ownership)
Steve Miller	- Indiana University (Due to potential issue concerning the inclusion of certain hourly employees in PERF)
Nancy Turner	- Police & Fire Pension Matters (Son is a police officer)

3. INVESTMENTS

Investment Committee Report

The Investment Committee met on this date (March 8) to discuss the following matters:

A. Barclays Global Investors

Representatives from Barclays ("BGI") were present and provided a short overview of their fixed income indexing approach. It was the request of the Committee that Barclays recap that presentation for the full Board at their meeting also on this date, as well as provide an overview of the total relationship between PERF and Barclays. Thus,

Karen Norwood and Fernando Hernandez reported that Barclays' long-term mandate is the equity mandate, and portfolio performance has been in line with expectations. While Barclays is benchmarked against the S&P 500, they are currently holding essentially an "S&P 498" in that they have screened out Banc One and National City Bank per Indiana statute. Those two screened stocks represent almost 1% of the portfolio. Barclays has achieved 11 basis points of outperformance to date, but they expect about 13 basis points after having screened Banc One and National City. Since Banc One is no longer a custodian for PERF, Barclays suggested that adding Banc One back into the portfolio would improve tracking error. (Note: Indiana statute prohibits the Fund from holding stock in the custodian; however, the sub-custodians are not addressed. Therefore, recommendation was made that an amendment be included in the Pension Management Oversight Commission bill currently before the legislature which would strike this limitation. In furtherance of that, Barclays is going to prepare a letter explaining the gap in tracking they would anticipate if Banc One, Chase and National City are all excluded.)

Another way of improving the tracking of the portfolio would be through the implementation of the use of futures thereby eliminating tracking error due to "cash drag." There is always some amount of cash in index management that's held in the portfolio as a result of dividend flows and to enable the handling of corporate actions, capital changes, etc. Futures help to minimize that impact in terms of performance.

A third option for improving tracking performance would be to equitize accruals thereby minimizing all tracking error with respect to cash. Barclays believes that's the best option and it's what they do with their largest S&P 500 accounts. The use of futures does not leverage a portfolio at all. Essentially, it's instant exposure — you get full participation in the market from the time the dividend is claimed as opposed to when you actually collect it. (Note: After assurance that there was no reason they should not be using futures, it was the general consent of the Board that Barclays begin working with National City Bank to establish futures accounts. Normally, the broker would hold the collateral, but because Indiana requires an Indiana custodian, National City has to become involved and actually custody the collateral. Therefore, they will need to sign a sub-custody agreement with the broker/dealer.)

The three PERF funds managed by Barclays are the Lehman Aggregate, the Lehman "Prime B", and the Police & Fire. The Lehman Aggregate was the most closely representative of the index and was managed as an index fund when BGI received it. At that time, the portfolio was overweighted in treasuries by 3.19% and underweighted in mortgages by 2.02%. The duration was in line. Barclays did not restructure the portfolio, but was directed to just manage cash flows. Having done that, the portfolio, as of February 5, stands at $1,870,000. The "Prime B" portfolio was previously actively managed. It was very overweighted in finance by over 15%, and in mortgages it was underweighted by 12.60%. Performance numbers show the Fund was down 1.60% and the index was down 1.75%. (Note: This is the account PERF has been drawing down by $120 Million on the first of each month. Barclays pointed out that the 15th of the month would be a better time due to the fact that that's when a lot of the mortgage pay downs are received. Therefore, the Investment Committee suggested changing that policy to make the $120 Million shift on or about the 15th of the month, giving a little flexibility on either side of the 15th to take advantage of cash flows. Barclays will work out the details with National City Bank and Mary Beth Braitman to make sure there are no other issues that will conflict with that date.) The Police & Fire portfolio, managed to the Lehman Intermediate Government Corporate Index, was very underweighted in treasuries by 20% and overweighted in finance by 26.7% when Barclays received it. In the Intermediate Government Corporate Index there are no mortgages, so the mortgage component of the portfolio will decline as Barclays adds to other parts of the portfolio. Performance wise, the fund was down 1.54% and the index itself was down 1.47%. It is Barclay's recommendation that the portfolio continue to be managed in this fashion until the Board has chosen permanent management. At that time, there will be active and passive management, and an active manager will, in all probability, want to change the portfolio.

The Investment Committee report continued with note of the fact that the Department of Administration ("DOA") and the Year 2000 Office are requiring that all investment manager contracts be changed to include language warranting the Y2K readiness of not only the managers' systems but of the vendors with whom they do business. Whereas most of the managers have signed such an agreement, Barclays is still working on it. They feel they are not in a position to warrant systems outside their own and have suggested alternate wording to the standard language used by DOA. However, no authority has been given to grant such an exception. PERF General Counsel will continue to work with BGI to resolve the matter.

B. Annuity Savings Accounts Smoothing

When the annuity savings accounts were funded for equities, both the S&P 500 piece and the Small Cap piece, there was a delay because of accounting mechanics and getting the annuity savings accounts funded. At that point, it was not really clear what the difference was going to be. Therefore, the Board decided they would do no smoothing between the Consolidated Fund and the annuity savings accounts. Following that it became clear that the difference in return between the annuity savings accounts and the Consolidated Fund was fairly dramatic (an approximate 10 percentage points difference). On December 31, the Investment Committee decided to reconsider the issue and actually smoothed the returns. It cost the S&P 500 Consolidated about 80 basis points over what they would have done, but it improved the returns of the annuity savings account by about 1,150 basis points. It cost the Small Cap Consolidated about 20 basis points and improved the annuity savings account by about 1,400 basis points.

MOTION duly made and carried to approve the annuity savings accounts smoothing process.

Proposed by:	Steve Miller
Seconded by:	Nancy Turner
Vote:	5 for, 0 against, 0 abstentions

C. Commission Recapture

PERF Executive Director has been researching the matter of commission recapture. He will continue to study the issue versus soft dollar usage, etc. and come back to the Board with a recommendation.

D. Banc One/First Chicago NBD

In the wake of the Banc One/First Chicago NBD merger, the Board had previously expressed concern as to who is minding the store with respect to the dollars under management by the two organizations. Since that time, the people at Banc One have relayed to both Mr. Butler and Mr. Miller that for the time being the two portfolios are still being held separately and will continue to be held that way until the Broad Agency Announcement ("BAA") for fixed income managers is issued. However, Mercer also spoke with the two banks and came back with the understanding that all of the portfolios would be consolidated as of the end of March. It was Mr. Miller's understanding, however, that PERF will be an exception to that. The Investment Committee will follow up and clarify the issue before the next meeting of the Board.

E. Broad Agency Announcement

Discussion is still under way with the Department of Administration on the mechanics of getting the fixed income Broad Agency Announcement completed. The one stumbling block has been whether or not DOA will agree to allow Mercer to shepherd the process. The BAA is for passive managers and core active managers, looking broadly at core active fixed income and not limited to any particular kinds of strategies. A variety of responses are expected, and that will allow some latitude. Once the responses are returned, Mercer will analyze them for a set of candidates on whom they will want to do further analysis. The Board will then interview the finalist candidates and make a selection. This is a very similar process as that used during the index and enhanced index searches for equity managers. What Mercer is hoping to revise dramatically is the process involving the Department of Administration wherein DOA would issue the announcement of a search and Mercer would send out the BAA to those interested parties for response directly to Mercer. Mercer would maintain telephone and fax logs to follow the process. They would ask that questions be written and faxed in and would reply on a case-by-case basis.

With that explanation,

MOTION duly made to approve the search process for fixed income managers as described subject to being finalized by Mercer Investment Consulting and PERF staff.

Proposed by:	Steve Miller
Seconded by:	Jonathan Birge
Vote:	5 for, 0 against, 0 abstentions

F. Securities Lending

The Board has had some issues with Chase Manhattan as a securities lending agent with respect to their unwillingness to comply with PERF's guidelines on the sort of investments they would include in the collateral pool. At one point the Board recommended termination of Chase as a securities lending agent. That would mean the entire securities lending activity would be consoldiated with Banc One which also leaves a little discomfort in the fact that with a 40% limit on securities to be loaned, you would be looking at a collateral pool being managed by Banc One in excess of $3 Billion. Following discussion, the Investment Committee concluded that for the present a 40% limitation should be maintained. Presently, Chase is still participating in the lending program. Committee does not want to consolidate the securities lending activity at Banc One until there is a better feel for exactly how the collateral investment should be approached. The Committee will continue to look at other alternatives, possibly adding another sub-custodian. The securities lending agreement with Banc One will also be reviewed to see if a better split can be negotiated. Committee also requested that the consultants recommend a more clear-cut set of guidelines for securities lending.

4th Quarter Performance Analysis

Richard Boggs, Burnley Associates, reported that the Consolidated Retirement Investment Fund gained 6% during the 4th quarter. By comparison, the Fund's custom index rose 6-1/2%. The total fund return for the year was 14% versus 15% for the custom index. The combined equity manager performance was 20% during the quarter, matching the median manager but falling nearly 1% short of the S&P 500 Index. Brinson fell below the S&P reflecting the value bias in their enhanced approach, while the J. P. Morgan Large Cap exceeded the S&P. With significant transfers into the fund during very volatile markets, the BGI S&P Index fell 1% short of its benchmark. Small cap stocks trailed the S&P during the market rally. DFA has a value bias in their enhanced index approach which caused them to trail the Russell 2000 Index, while the J. P. Morgan Small Cap did 300 basis points better than their benchmark.

Turning to bond managers, the managers who did best in 1997 because they were high in corporates were hurt during the 4th quarter of 1998. On a combined basis, the fixed income managers for the year were up 8.7%, the LBA Index was 8.7%, and the median manager was up 8.4%. A year ago the 60% constraint on corporates was removed; however, no more than 5% in any one corporate issue, or 5% of the total portfolio, could be held. Also, there is a 10% constraint on the lowest investment grade. Two or three of the managers were right up there, but none were really out of control. No one was over 40% mortgage backs. Neither was anyone out of the plus or minus 20% duration range.

Looking at cash flows, there were some large withdrawals from the Guaranteed Fund as people at the beginning of the 4th quarter had the option to move into other vehicles. Approximately $41 Million was withdrawn and $3 Million moved in, producing a net figure of a negative $38 Million. The $120 Million monthly funding for equities continued by drawing down the "near-LBA" (formerly "Prime B") account managed by BGI.

Looking at earnings, there was quite a disparity between the Brinson Large Cap Enhanced and the J. P. Morgan Large Cap. Brinson was up 19% and J. P. Morgan was up 22%. That happened because Brinson has more of a value bias to their enhanced product and J. P. Morgan has a 50/50 orientation. Large Cap Growth in the quarter was up 24% and Large Cap Value was up 17%. The Small Cap rates of return for J. P. Morgan actually beat the Russell 2000 in the 4th quarter. Dimensional Fund Advisors ("DFA"), using a value bias, was up 12.7% in a 16.0% market. Combined equities were up 19.6%

With respect to securities lending, Banc One again proved to be a more efficient lender than did Chase. Chase is lending out approximately 70% of what they could put out on loan. With no significant differences in the portfolios, Banc One is putting out around 90% or better. The cash collateral portfolio must have at least 25% maturing within 30 days. Chase has 95% which matures within 30 days and Banc One has 54%. There is also a constraint that prohibits a manager from having anything that matures more than a year out. Both firms are being good about that. It's important to know what the mismatch is. If you have longer investments than you have loans, you're stretching out longer. In other words, you're taking in short and getting the benefit of longer loans. Therefore, you're getting a higher yield, but you're also taking some risk. If those have to unwind, you have loans that unwind in 20 days but your cash collateral is invested on average out to 28 days, and that's where the mismatch lies. Chase may be a little less efficient, but they make up for it a little by the aggressiveness of their cash collateral portfolio. That is not something that provides comfort. From a basis points point of view, because they were more efficient but a little less aggressive on the cash collaterial, Banc One actually produced more income percentage wise than did Chase..

4. BENEFITS

Benefits Administration Committee Report

The Benefits Administration Committee met on February 22 and discussed the following matters:

A. Clarety Project

Approval has been received from the Budget Agency for the Clarety project. Data Processing Oversight Commission and, presumably, legislative approval will also be sought. The project started out with a $24 Million price tag; however, the costs were deconstructed and that figure was reduced to $14.8 Million. A proposal was made to the Budget Agency that if the project was started quickly, it could be spread over at least three biennium (the current one, the 1999-2001, and the 2001-2003). The green light was given to do that. The next step is to appear in front of the Data Processing Oversight Commission on March 23. Ice Miller Donadio & Ryan is in the process of drafting a contract between CBSI and the State of Indiana with PERF, TRF, and ISD as sub-signatories. That contract will be presented to DPOC at the March 23 meeting. Another thing staff wants to have is a draft of a BAA to outsource the backfile conversion (all of those paper records which need to be converted to both electronic format and archival format). Because the records situation is so critical, CBSI has been asked to accelerate that portion of the project and complete it sooner.

As far as project management is concerned, it has been decided that it would be best to have one project manager. That person will need to have a lot of knowledge about information technology and be able to make some difficult decisions along the way. If you go from the project manager down the chain, an intermediary PERF project management group will be established composed of three people who will be responsible for determining the needs of the user groups across the rest of the staff at PERF. Those decisions will then be channeled up to the project manager. The expense for the project manager will be split between PERF and TRF. Since PERF has a little more than twice the number of members TRF has and probably twice the number of retirees, the percentage of that breakdown will be 65% PERF, 35% TRF.

B. Harrison Building Fire Suppression System

Patrick Lane met with Bob Grossman, a mechanical engineer with the Public Works Division, and walked him through the building to show him the issues at hand. Mr. Grossman is preparing a report on the matter.

C. Indiana University Resolution

PERF received confirmation that in September of 1998 the IU Board of Trustees passed a resolution wherein effective July 1, 1999 all hourly employees of the University who work in excess of 1,000 hours per year would be enrolled as members of PERF, thereby bringing the University into compliance with IC 5-10.3-7-1(b) and IC 5-10.3-7-2(b). This would be prospective only and, according to Dan Reeves of the Employee Benefits Office at IU, the Trustees specifically did not intend to cover past service. This service would be prefunded at the State rate of 6.2%, and monies required to fund this service would be charged to each individual department for whom the employee in question works. The best credible estimate as to the number of new employees PERF will see enrolled in the Fund as a result of the Resolution is approximately 500.

5. ACTUARIAL

State Contribution Rate Resolution

A Resolution setting the contribution rate for the State of Indiana was distributed for Board review and approval (Exhibit A). Following discussion,

MOTION duly made and carried to accept the State Contribution Rate Resolution as presented.

Proposed by: Jonathan Birge
Seconded by: Steve Miller
Votes: 5 for, 0 against, 0 abstentions

Police & Fire Crediting Rate

The 1977 Police & Fire Fund is the only fund that does not have a statutorily set interest rate. The rate has been 5.5% since 1977 and was most likely set by the PERF Board.

The actuarially assumed interest rate for funding purposes set forth in the actuarial valuation was 6.75% for the year ended December 31, 1998. Since this Fund is now a part of unitized accounting, consideration may need to be taken as to whether the rate should be changed to the 6.75% rate (the actual rate for the Fund), or the Guaranteed rate, or to leave it at the 5.5%. No decision is currently required by the Board, but staff simply wanted to alert the Trustees to the fact that because the rate is set at 5.5%, it could be expected that someone will question it.

Valuation Reports

Doug Todd was present representing McCready & Keene and began his report with a review of the Prosecuting Attorneys' Retirement Fund. The total employer annual cost for this plan is $390,283 which represents about 3.3% of anticipated payroll. Those figures last year were $275,266 total employer annual cost representing 2.3% of anticipated payroll. That represents an increase of about $115,000 over last year. The unfunded liability also increased from $3,534,482 last year to $4,212,701 this year. A summary of employee data indicates there were 181 active members in the plan, down from 192 last year. Terminated participants with accrued creditable service increased from 87 to 107.

Looking at the Legislators' Defined Benefit Plan, there was a very modest cost increase from $170,169 last year to $208,369 this year which was due almost exclusively to expenses paid from the trust ($33,665 last year, $89,433 this year). The unfunded liability decreased from $1,595,591 last year to $1,343,729.

The Judges' plan is a pay-as-you-go plan with some reserves. Looking at a five-year projection of benefits, the recommended annual contribution would be $8,173,604 for 1998-99; $8,664,021 for 1990-00; $9,183,863 for 2001-01; $9734,895 for 2001-02; and $10,318,988 for 2002-03. The total unfunded liability was $80,648,195 last year and $81,250,352 this year.

Following some further discussion:

MOTION duly made and carried to approve the valuation reports as presented.

Proposed by: Jonathan Birge
Seconded by: Nancy Turner
Votes: 5 for, 0 against, 0 abstentions

6. RECESS

With no further business, the Board recessed to reconvene at 8:30 a.m. on March 9..

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Steven Miller
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OTHERS PRESENT

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Kris Ford, Wm. M. Mercer Investment Consulting
Bill Monroe, Wm. M. Mercer Investment Consulting
Karen Franklin, National City Bank
Chuck Mayfield, State Budget Agency
E. William Butler, PERF Executive Director
Mark Webb, PERF Deputy Director & General Counsel
Bill Hutchinson, PERF Division Director, Pension Administration
David Yeater, PERF Controller
Linda Stahl, Recording Secretary

1. LEGISLATION UPDATE

Mary Beth Braitman, Ice Miller Donadio & Ryan, and Mark Webb reported on pending legislation as follows:

Senate Bill 94 - Governmental immunity for Y2K computer errors. Grants immunity from tort and contract liability that is caused by an error resulting from or caused by a failure to recognize the year 1999, 2000, or a subsequent year.

Senate Bill 161 - Lottery distributions to police and fire pensions. Increases from $10,000,000 to $20,000,000 the amount of lottery revenue that is annually distributed to the Pension Relief Fund.

Senate Bill 194 - Pension Relief Fund and TRF Pension Stabilization Fund appropriations. Annually appropriates $100,000,000 to the Pension Stabilization Fund and $25,000,000 to the "M portion" of the Pension Relief Fund.

Senate Bill 346 - 1977 Police Officers' and Firefighters' Fund. Makes provisions for a police officer or former marshal employed by a town at the time the town establishes a board of metropolitan police commissioners or becomes a city to participate in the 1977 Fund.

House Bill 1001 - State budget bill.

House Bill 1084 - PERF vesting for elected county officials. Allows an elected county official who is limited by the Constitution of the State of Indiana to no more than eight years in office in a 12 year period to vest after serving eight years.

House Bill 1093 - Provides that the annuity savings account of a PERF/TRF member shall be valued as of the valuation date coinciding with or preceding the member's date of retirement for any portion annuitized and shall be valued as of the last valuation date, plus any contributions since that date, for any portion distributed in a lump sum. ~~Provides that a PERF/TRF member may make a selection or change an existing selection concerning investment of the member's annuity savings account money not more than four times in a 12 month period~~. (Current law allows only one selection or change in a 12 month period.)* Provides that the PERF/TRF Board shall suspend a person's fund membership and shall pay the person the annuity savings account if the member has not performed any service in a covered position during the past two years, is not vested, and has a total benefit value of less than $200. Allows PERF/TRF to pay an estimated retirement benefit to a member under certain circumstances. Allows a member of PERF/TRF to designate a new beneficiary under certain circumstances. Allows a member of PERF/TRF to elect to begin receiving the member's pension benefit but to leave the member's' annuity savings account invested until a later date. Continues to use an earnings limit prepared under federal Social Security laws to determine how much a PERF/TRF member who is receiving benefits may earn in a fund-covered position before the member's benefits are suspended and the member is reinstated into active membership. Requires an employer to submit PERF membership records to the PERF Board not more than 30 days after the member is hired. Allows certain individuals to claim service credit in PERF if the individuals: (1) were erroneously enrolled in PERF before 1980; (2) made contributions to PERF; and (3) were subsequently denied all or part of the service credit for a position that would otherwise be covered by PERF. Allows PERF members to purchase service credit at actuarial cost for their prior service in position covered by the 1925 Fund, the 1937 Fund, or the 1953 Fund if they did not vest in any of those Funds. Provides that if a town establishes a police department or becomes a city, the age requirements and physical and mental examination requirements of the 1977 Fund do not prohibit a police officer employed by the municipality from becoming a member of the 1977 Fund. Provides that if a member of the 1977 Fund requests a hearing concerning a determination of impairment, the local police or firefighter pension board must hold the hearing within 90 days after the member's request and must make a determination within 30 days after the hearing. Allows members of the Judges' Retirement System to purchase service credit at full actuarial cost for prior service in an Indiana public employees' retirement fund. Provides that a judge who has: (1) served at least six years as a judge; or (2) becomes permanently disabled may purchase service credit for active military service of the United States to be used in the computation of benefits for the 1977 or 1985 Judges' Retirement System if the service is not used in the computation for another public or federal retirement system other than Social Security.* Adds clothing allowances (to the extent that the allowances exceed $300 per year) to the pension base for police officers and firefighters.* Provides that for purposes of the 1977 Fund provisions concerning line of duty benefits paid to a survivor, the term "line of duty" also includes any action that a Fund member, in the member's capacity as a police officer or firefighter, performs: (1) in the course of controlling or reducing crime or enforcing the criminal law; or (2) while on the scene of an emergency run or on the way to or from the scene.

House Bill 1986 - Pension benefits. Provides a cost-of-living adjustment (COLA) in 1999 to PERF/TRF members who retired or were disabled before July 2, 1997 and in 2000 to members who retired or were disabled before July 2, 1998. Provides a supplemental "thirteenth check" benefit to retired teachers and certain retired public employees on November 1, 1999, and on November 1, 2000.

(*Provisions struck in meeting of Pensions and Labor Committee conducted this date following Ms. Braitman's report to the Board.)

2. FINANCIAL

Budget

Chuck Mayfield, Budget Analyst, was present for discussion of the budget and to answer any questions the Board might have. Mr. Mayfield has been PERF's Budget Analyst since 1982.

All State agencies are required to submit a budget to the Governor every two years for review by the Budget Agency. Last summer the Budget Committee, made up of Peggy Boehm, Budget Director, and the finance people of the legislature (Senator Mills; Representative Bauer; Representative Espich; and Senator Vi Simpson, the Chair Person) met with each State agency to review their budget requests. The Budget

Agency then made their budgetary recommendations to the legislature for the next two years, which, in PERF's case, included money for the Pension Relief Fund and also provided $4 Million each year of the next biennium for operating expenses. That money is to come out of investment earnings. Note was made that there is a gap between the current fiscal year experience and the $4 Million approved by the Budget Agency. Mr. Mayfield will be working with the two primary people in the budgetary process concerning that issue.

Following some further discussion,

MOTION duly made and carried that beginning next spring the Board will review and approve any proposed budget that is submitted to the Budget Agency.

Proposed by:	Jonathan Birge
Seconded by:	Teresa Ghilarducci
Votes:	5 for, 0 against, 0 abstentions

MOTION duly made and carried to establish a Budget Committee, comprised of Richard Doermer and Jonathan Birge as Chair, to relieve the full Board of some of the budgetary evaluations.

Proposed by:	Teresa Ghilarducci
Seconded by:	Steve Miller
Votes:	5 for, 0 against, 0 abstentions

3. ADMINISTRATION

Executive Director's Report

With respect to the water damage sustained in the Harrison Building, plans are to restore floors 1-4 immediately. A 2nd floor tenant, the Department of Revenue, was lost, so that floor has been put on hold until a new tenant can be found. Floors 3 and 4 are being rebuilt to the tenant's wishes. The card shop on the main floor is being restored and is moving along nicely. The other part of the main floor is the lobby. About a year ago someone took a look at redoing the lobby and looked at it in two ways. One was to use wood paneling along the walls up to about a six-foot height, and the remainder would be wall covering of some sort. The second version was to use paneling to the ceiling and replace the floor. The price to do the first was approximately $15,000-$18,000 and $45,000 to do the second. About $12,000 will be received from insurance for restoring the lobby as it was. Those monies could be used as an offset against the cost of doing the lobby differently. This issue will be submitted to the Investment Committee for their consideration.

With respect to the 5th-8th floors, a space planner has been contacted to prepare some drawings. Once the design is completed, the job can be bid out and taken before the Investment Committee for a decision concerning going forward. Those expenses will come from the building asset account and not from the State of Indiana.

New Units Amendment

On January 1, 1999, the Town of Fairmount (unit number 1684) joined PERF. This new unit was approved at the December 1998 Board meeting. On January 1, 1999 the Town created a new position, and they would now like to amend their Resolution to include the position of Assistant Water and Wastewater Superintendent. This will not create additional liability to the Town and will not affect their rate of participation which has been set at 7:00%. A current PERF-covered employee of the Town has been moved into this position.

MOTION duly made and carried to approve the amendment of the Town of Fairmount's Resolution to include the position of Assistant Water and Wastewater Superintendent.

Proposed by:	Jonathan Birge
Seconded by:	Nancy Turner
Votes:	5 for, 0 against, 0 abstentions

4. NEXT MEETING

The next meeting of the Board, previously scheduled, will be May 20 and 21, 1999.

5. ADJOURNMENT

There being no further business, the meeting was adjourned.